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UNCLAS ANKARA 005757

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SENSITIVE

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TREASURY FOR OASIA - MILLS AND LEICHTER
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E.O. 12958: N/A
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SUBJECT: AMBASSADOR'S CALL ON MINISTER OF FINANCE

1. (SBU) SUMMARY: IN HIS FIRST MEETING WITH FINANCE MINISTER UNAKITAN, THE AMBASSADOR EXPRESSED HIS VIEW THAT TURKEY HAD A GREAT OPPORTUNITY TO BUILD ON RECENT GOOD NEWS BY ACCELERATING REFORMS AND RESOLVING INVESTMENT DISPUTES. THE FINANCE MINISTER CLAIMED THE GOT WAS STRONGLY COMMITTED TO REFORM AND TO FISCAL RESTRAINT. UNAKITAN VOLUNTEERED TO TRY TO ASSIST IN RESOLVING PROBLEMS, INCLUDING THOSE OUTSIDE HIS PORTFOLIO. HE OFFERED TO MEET WITH CARGILL ON ITS INVESTMENT DISPUTE. FOLLOWING THE MEETING, UNAKITAN HELD AN UNRELATED PRESS CONFERENCE IN WHICH HE ANNOUNCED A SURPRISINGLY STRONG PRIMARY SURPLUS FOR THE MONTH OF AUGUST. END SUMMARY.

12. (SBU) IN HIS FIRST MEETING WITH FINANCE MINISTER KEMAL UNAKITAN, THE AMBASSADOR SAID THAT TURKEY NOW HAS A GREAT OPPORTUNITY TO TAKE ADVANTAGE OF THE RECENT RUN OF FAVORABLE ECONOMIC NEWS: IF TURKEY CAN COMPLETE THE IMF'S SIXTH REVIEW IN A TIMELY MANNER, MAINTAIN FISCAL DISCIPLINE, AND RESOLVE SOME INVESTMENT DISPUTES IT WOULD BE IN A GOOD POSITION. THE AMBASSADOR NOTED, HOWEVER, THAT MANY AMERICAN INVESTORS HAVE SIGNIFICANT PROBLEMS.

13. (SBU) WHEN UNAKITAN ASKED FOR SPECIFICS, THE AMBASSADOR CITED THE MOTOROLA CASE, AS WELL AS THE ZONING PROBLEM FACING CARGILL. POINTING OUT THESE WERE JUST TWO OF MANY. UNAKITAN SAID HE COULD NOT COMMENT ON MOTOROLA. ON CARGILL, HE CLAIMED IGNORANCE OF THE PROBLEM, SAID HE HAD WORKED WITH CARGILL AS A BUSINESSMAN AND WOULD BE OPEN TO MEETING WITH THEM. UNAKITAN WENT ON SAY THAT HE HAD TRIED TO RESOLVE PROBLEMS FOR AMERICAN COMPANIES BEFORE--NOTABLY FOR CITIBANK--AND THAT HE WAS WILLING TO PLAY THAT ROLE, INCLUDING FOR PROBLEMS OUTSIDE HIS AREA OF RESPONSIBILITY. THANKING UNAKITAN FOR THE OFFER, THE AMBASSADOR STRESSED THE IMPORTANCE OF RESOLVING BUSINESS PROBLEMS, AND PREDICTED DISPUTE RESOLUTION WOULD HELP ATTRACT INVESTORS FROM ALL COUNTRIES, NOT JUST FROM AMERICA.

14. (SBU) ON THE ECONOMIC REFORM PROGRAM, UNAKITAN INSISTED THAT TURKEY WOULD PURSUE THE PROGRAM BECAUSE IT IS GOOD FOR TURKEY, NOT BECAUSE IT IS THE IMF'S. IF AN EXTERNAL SHOCK CAN BE AVOIDED, UNAKITAN WAS CONFIDENT THE GOVERNMENT COULD BRING DOWN INFLATION AND THE DEBT-TO-GDP RATIO, AND ACHIEVE LOWER INTEREST RATES AND SUSTAINABLE GROWTH. THE KEY WAS FISCAL DISCIPLINE AND ACHIEVING THE 6.5 PERCENT PRIMARY SURPLUS-TO-GDP RATIO FOR 2003. UNAKITAN ALSO SAID THAT THE PRIME MINISTER WAS STRONGLY COMMITTED TO THE PROGRAM, AND THAT THE GOVERNMENT IS TRYING TO ACCELERATE THE PRIVATIZATION PROCESS. UNAKITAN JOKED THAT HE IS THE MOST UNPOPULAR PERSON IN THE GOVERNMENT BECAUSE HE IS ALWAYS SAYING NO TO PEOPLE WHO WANT TO SPEND MONEY, AND HE INSISTS ON REVENUE COLLECTION. UNAKITAN ADMITTED THAT IT WAS EASY TO TALK ABOUT IMPLEMENTING THE REFORMS BUT VERY DIFFICULT TO DO.

15. (SBU) THE AMBASSADOR URGED UNAKITAN NOT TO WORRY TOO MUCH ABOUT BEING POPULAR, NOTING THAT IN U.S. HISTORY UNPOPULAR POLITICAL FIGURES HAD LATER ACHIEVED RESPECT FOR HAVING DONE THE RIGHT THING. WITH REGARD TO THE DANGER OF EXTERNAL SHOCKS, THE AMBASSADOR POINTED OUT THAT THE U.S. FINANCIAL ASSISTANCE WAS INTENDED TO SHIELD TURKEY FROM PRECISELY SUCH SHOCKS RELATED TO THE WAR IN IRAQ. THE AMBASSADOR ALSO THANKED UNAKITAN FOR HIS MINISTRY'S COOPERATION WITH TREASURY TAX ADVISORS AND ON TERRORISM FINANCE. UNAKITAN SEIZED ON THE LATTER POINT TO SAY COMBATTING FINANCIAL CRIMES IS VERY IMPORTANT TO THE GOT AS WELL, WHICH HAD COME TO POWER SEEKING TO FIGHT CORRUPTION.

16. (SBU) FOLLOWING THE MEETING, UNAKITAN HELD AN UNRELATED PRESS CONFERENCE, IN WHICH HE ANNOUNCED A PRIMARY SURPLUS OF TL 15.5 QUADRILLION (USD 11.2 BILLION) FOR JANUARY THROUGH AUGUST 2003. THIS AMOUNTS TO 76 PERCENT OF THE FULL YEAR

PRIMARY SURPLUS TARGET AND BEATS ANALYSTS EXPECTATIONS.
NOTE: THE IMF'S DEFINITION OF THE PRIMARY SURPLUS TYPICALLY
DIFFERS FROM THE GOT'S, SUCH THAT THESE NUMBERS ARE NOT THE
FINAL NUMBERS THE IMF WILL USE. END NOTE. OF THE TL 15.5
QUADRILLION EIGHT-MONTH SURPLUS, FIVE QUADRILLION WERE IN THE
MONTH OF AUGUST ALONE. UNAKITAN ATTRIBUTED THIS SURPRISINGLY
STRONG AUGUST PERFORMANCE LARGELEY TO BONUS PAYMENTS TO PUBLIC
WORKERS BEING PAID IN JULY INSTEAD OF AUGUST AND TO IMPROVED
TAX RECEIPTS FOLLOWING THE "TAX PEACE" LAW.
EDELMAN